

AMENDED IN ASSEMBLY MAY 1, 1997
AMENDED IN ASSEMBLY APRIL 17, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 1230

Introduced by Assembly Member Wright

February 28, 1997

An act to amend Section 129010 of the Health and Safety Code, and to ~~amend Section 14087.9665~~ *add Article 2.82 (commencing with Section 14087.98) to Chapter 7 of Part 3 of Division 9* of the Welfare and Institutions Code, relating to health.

LEGISLATIVE COUNSEL'S DIGEST

AB 1230, as amended, R. Wright. Health: health care provider loans: Medi-Cal managed care.

Existing law provides that in regions designated by the State Department of Health Services, health care services to eligible beneficiaries shall be provided through no more than 2 prepaid health plans, as defined, that in most cases consist of a commercial prepaid plan and a local initiative, as defined. Existing law also establishes a health facility construction loan insurance program, administered by the Office of Statewide Health Planning and Development. Existing law, the California Health Facilities Financing Authority Act empowers the California Health Facilities Financing Authority to provide financing for eligible health facility projects.

~~Existing law authorizes the County of Los Angeles to establish a managed health care system and authorizes the board of supervisors of that county to establish a commission to operate a local initiative health plan or plans to implement a Medi-Cal managed care plan pursuant to a strategic plan.~~

~~This bill would authorize the commission to issue and sell bonds and other securities to finance locally organized or designated health plans contracting with the local initiative, if the commission has certified to the Office of Statewide Health Planning and Development that it has evaluated the health facility and concluded that a guarantee of a loan to the health facility would not result in an undue financial risk and would further the goals of the local initiative health plan.~~

~~This bill would define a local initiative to mean, in part, the prepaid health plan that is organized by a county government and has been awarded a contract by the department to provide Medi-Cal services. The bill would authorize the governing body of a local initiative to issue revenue bonds in accordance with prescribed procedures for the purpose of financing any capital projects of the governing body or for loans to traditional providers and safety net providers, as defined, for capital projects. The bill would establish requirements regarding issuance of the bonds.~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.~~

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) One objective of the local initiatives is to preserve
4 and maintain access to traditional and safety net
5 providers of Medi-Cal services.

6 (b) Many traditional and safety net providers lack
7 either the administrative or facility capacity to enter into
8 contracts with local initiatives to participate in a provider
9 network.

10 (c) Many traditional and safety net providers are
11 without reasonable access to financing to expand their
12 administrative capacity.



(d) It is in the public interest to provide these traditional and safety net providers with reasonable means of financing increased administrative and facility capabilities so that they can participate in local initiative networks.

SEC. 2. Section 129010 of the Health and Safety Code is amended to read:

129010. Unless the context otherwise requires, the definitions in this section govern the construction of this chapter and of Section 32127.2.

(a) “Bondholder” means the legal owner of a bond or other evidence of indebtedness issued by a political subdivision or a nonprofit corporation.

(b) “Borrower” means a political subdivision or nonprofit corporation that has secured or intends to secure a loan for the construction of a health facility.

“Borrower” also means any traditional provider or safety net provider with a contract with a local initiative, as defined in subdivision (u), if the local initiative has certified to the Office of Statewide Health Planning and Development that it has evaluated the health facility and concluded that, based upon a review of its operating history and its competitive role in the local market, the guarantee of a loan to the health facility would not result in an undue financial risk and would further the goals of the local initiative. For purposes of this chapter, such a traditional provider or safety net provider shall be treated as a nonprofit corporation regardless of its actual status.

(c) “Construction, improvement, or expansion” or “construction, improvement, and expansion” includes construction of new buildings, expansion, modernization, renovation, remodeling and alteration of existing buildings, acquisition of existing buildings or health facilities, and initial or additional equipping of any of these buildings.

In connection therewith, “construction, improvement, or expansion” or “construction, improvement, and expansion” includes the cost of construction or acquisition of all structures, including parking facilities, real or personal property, rights, rights-of-way, the cost of

1 demolishing or removing any buildings or structures on
2 land so acquired, including the cost of acquiring any land
3 where the buildings or structures may be moved, the cost
4 of all machinery and equipment, financing charges,
5 interest (prior to, during and for a period after
6 completion of the construction), provisions for working
7 capital, reserves for principal and interest and for
8 extensions, enlargements, additions, replacements,
9 renovations and improvements, cost of engineering,
10 financial and legal services, plans, specifications, studies,
11 surveys, estimates of cost and of revenues, administrative
12 expenses, expenses necessary or incident to determining
13 the feasibility or practicability of constructing or incident
14 to the construction; or the financing of the construction
15 or acquisition.

16 (d) “Commission” means the California Health Policy
17 and Data Advisory Commission.

18 (e) “Debenture” means any form of written evidence
19 of indebtedness issued by the State Treasurer pursuant to
20 this chapter, as authorized by Section 4 of Article XVI of
21 the California Constitution.

22 (f) “Fund” means the Health Facility Construction
23 Loan Insurance Fund.

24 (g) (1) “Health facility” means any facility providing
25 or designed to provide services for the acute,
26 convalescent, and chronically ill and impaired, including,
27 but not limited to, public health centers, community
28 mental health centers, facilities for the developmentally
29 disabled, nonprofit community care facilities that provide
30 care, habilitation, rehabilitation or treatment to
31 developmentally disabled persons, facilities for the
32 treatment of chemical dependency, including a
33 community care facility, licensed pursuant to Chapter 3
34 (commencing with Section 1500) of Division 2, a clinic, as
35 defined pursuant to Chapter 1 (commencing with
36 Section 1200) of Division 2, an alcoholism recovery
37 facility, defined pursuant to former Section 11834.11, and
38 a structure located adjacent or attached to another type
39 of health facility and that is used for storage of materials
40 used in the treatment of chemical dependency, and



1 general tuberculosis, mental, and other types of hospitals
2 and related facilities, such as laboratories, outpatient
3 departments, extended care, nurses' home and training
4 facilities, offices and central service facilities operated in
5 connection with hospitals, diagnostic or treatment
6 centers, extended care facilities, nursing homes, and
7 rehabilitation facilities. "Health facility" also means an
8 adult day health center and a multilevel facility. Except
9 for facilities for the developmentally disabled, facilities
10 for the treatment of chemical dependency, or a
11 multilevel facility, or as otherwise provided in this
12 subdivision, "health facility" does not include any
13 institution furnishing primarily domiciliary care.

14 (2) "Health facility" also means accredited nonprofit
15 work activity programs as defined in subdivision (e) of
16 Section 19352 and Section 19355 of the Welfare and
17 Institutions Code, and nonprofit community care
18 facilities as defined in Section 1502, excluding foster
19 family homes, foster family agencies, adoption agencies,
20 and residential care facilities for the elderly.

21 (3) "Health facility" also means any ~~traditional or~~
22 ~~safety net provider with a contract with a local initiative,~~
23 ~~as defined in subdivision (u).~~ *capital facilities used by any*
24 *traditional provider or safety net provider under a*
25 *contract with a local initiative.*

26 (4) Unless the context dictates otherwise, "health
27 facility" includes a political subdivision of the state or
28 nonprofit corporation that operates a facility included
29 within the definition set forth in this subdivision.

30 (h) "Office" means the Office of Statewide Health
31 Planning and Development.

32 (i) "Lender" means the provider of a loan and its
33 successors and assigns.

34 (j) "Loan" means money or credit advanced for the
35 costs of construction or expansion of the health facility,
36 and includes both initial loans and loans secured upon
37 refinancing and may include both interim, or short-term
38 loans, and long-term loans. A duly authorized bond or
39 bond issue, or an installment sale agreement, may
40 constitute a "loan."

(k) “Maturity date” means the date that the loan indebtedness would be extinguished if paid in accordance with periodic payments provided for by the terms of the loan.

(l) “Mortgage” means a first mortgage on real estate. “Mortgage” includes a first deed of trust.

(m) “Mortgagee” includes a lender whose loan is secured by a mortgage. “Mortgagee” includes a beneficiary of a deed of trust.

(n) “Mortgagor” includes a borrower, a loan to whom is secured by a mortgage, and the trustor of a deed of trust.

(o) “Nonprofit corporation” means any corporation formed under or subject to the Nonprofit Public Benefit Corporation Law (Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the Corporations Code) that is organized for the purpose of owning and operating a health facility and that also meets the requirements of Section 501(c)(3) of the Internal Revenue Code.

(p) “Political subdivision” means any city, county, joint powers entity, local ~~hospital district~~, *health care district*, *local initiative*, or the California Health Facilities Financing Authority.

(q) “Project property” means the real property where the health facility is, or is to be, constructed, improved, or expanded, and also means the health facility and the initial equipment in that health facility.

(r) “Public health facility” means any health facility that is or will be constructed for and operated and maintained by any city, county, or local hospital district.

(s) “Adult day health center” means a facility defined under subdivision (b) of Section 1570.7, that provides adult day health care, as defined under subdivision (a) of Section 1570.7.

(t) “Multilevel facility” means an institutional arrangement where a residential facility for the elderly is operated as a part of, or in conjunction with, an intermediate care facility, a skilled nursing facility, or a general acute care hospital. “Elderly,” for the purposes of this subdivision, means a person 62 years of age or older.

1 ~~(u) (1) “Local initiative” means any of the following~~
2 ~~that has been awarded a contract by the State~~
3 ~~Department of Health Services under paragraph (2) of~~
4 ~~subdivision (b) of Section 53800 of the California Code of~~
5 ~~Regulations:~~

6 ~~(A) A prepaid health plan that is organized by a~~
7 ~~county or by county governments of a region designated~~
8 ~~by the Director of Health Services or organized by~~
9 ~~stakeholders of the designated region.~~

10 ~~(B) A prepaid health plan that has been designated by~~
11 ~~a county or by stakeholders of a designated region and~~
12 ~~approved by the Director of Health Services.~~

13 ~~(2) “Designated region” and “region designated by~~
14 ~~the Director of Health Services” means that geographic~~
15 ~~area designated the Director of Health Services within~~
16 ~~which a plan is approved by the State Department of~~
17 ~~Health Services to provide services to Medi-Cal~~
18 ~~beneficiaries pursuant to a contract authorized by Section~~
19 ~~14087.3.~~

20 ~~(v) “Safety net provider” means any provider of~~
21 ~~comprehensive primary care or acute hospital inpatient~~
22 ~~services that provides these services to a significant~~
23 ~~number of Medi-Cal patients and charity or medically~~
24 ~~indigent patients, or both, in relation to the total number~~
25 ~~of patients served by the provider.~~

26 ~~(w) “Traditional provider” means any physician who~~
27 ~~has delivered services to Medi-Cal beneficiaries within~~
28 ~~the last six months.~~

29 ~~SEC. 3. Section 14087.9665 of the Welfare and~~
30 ~~Institutions Code is amended to read:~~

31 ~~14087.9665. (a) The commission may borrow or~~
32 ~~receive funds from any person or entity as necessary to~~
33 ~~cover development costs and other actual or projected~~
34 ~~obligations of the local initiative.~~

35 ~~(b) The county may lend funds to the commission~~
36 ~~upon such terms as the board of supervisors may establish.~~

37 ~~(c) The commission may issue and sell bonds and other~~
38 ~~securities to finance health facilities as defined in~~
39 ~~paragraph (3) of subdivision (g) of Section 129010 of the~~
40 ~~Health and Safety Code and the local initiative has~~

~~1 certified to the Office of Statewide Health Planning and
2 Development that it has evaluated the health facility and
3 concluded that, based upon a review of its operating
4 history and its competitive role in the local market, the
5 guarantee of a loan to the health facility would not result
6 in an undue financial risk and would further the goals of
7 the local initiative.~~

~~8 (d) Notwithstanding any other provision of law, both
9 the county and the commission shall be eligible to receive
10 funding under subdivision (p) of Section 14163, and the
11 local initiative shall be considered for all purposes to
12 satisfy the requirements of subdivision (p) of Section
13 14163.~~

*14 (u) "Local initiative" means the prepaid health plan
15 that is organized by a county government or by county
16 governments of a region designated by the State Director
17 of Health Services, or organized by stakeholders of the
18 designated region, and has been awarded a contract by
19 the department pursuant to paragraph (2) of subdivision
20 (b) of Section 53800 of Title 22 of the California Code of
21 Regulations. "Designated region" and "region
22 designated by the State Director of Health Services"
23 means that geographic area designated by the director
24 within which a plan is approved by the department to
25 provide services to Medi-Cal beneficiaries pursuant to a
26 contract authorized by Section 14087.3 of the Welfare and
27 Institutions Code.*

*28 (v) "Safety net provider" means, for purposes of this
29 chapter, any provider of comprehensive primary care or
30 acute hospital inpatient services that meets the
31 qualification standards of the certifying local initiative.*

*32 (w) "Traditional provider" means, for purposes of this
33 chapter, any physician who has delivered services to
34 Medi-Cal beneficiaries within the last six months and
35 meets the qualification standards of the certifying local
36 initiative.*

*37 SEC. 3. Article 2.82 (commencing with Section
38 14087.98) is added to Chapter 7 of Part 3 of Division 9 of
39 the Welfare and Institutions Code, to read:*

40

Article 2.82. *Local Initiative Revenue Bonds*

14087.98. *Notwithstanding any other provision of law, the governing body of any local initiative, as defined in subdivision (u) of Section 129010 of the Health and Safety Code, may issue revenue bonds pursuant to the provisions of Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the Government Code. However, the provisions of Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the Government Code shall not be applicable to the governing body of local initiatives.*

14087.981. *Bonds may be issued pursuant to this article to finance any capital projects of the governing body of the local initiative or to finance loans to be made for capital projects to traditional providers, as defined in subdivision (w) of Section 129010 of the Health and Safety Code, or safety net providers, as defined in subdivision (v) of Section 129010 of the Health and Safety Code, having contracts with the local initiative.*

14087.982. *Any bonds issued pursuant to this article may be secured by a pledge of payments to be received by the governing body of the local initiative pursuant to any Medi-Cal managed care programs or by moneys to be received from the traditional or safety net providers or by both. The governing body of the local initiative is hereby granted the authority to make such a pledge of revenues.*

14087.983. *The governing body of a local initiative may use the proceeds of bonds issued pursuant to this article to make loans to traditional or safety net providers having contracts with the local initiative to finance capital projects of the traditional or safety net providers. Before adopting a resolution pursuant to Section 14087.984, the governing board of the local initiative shall establish a procedure and adopt policies to evaluate the qualifications of prospective borrowers to assure that a loan to the borrower will not result in an undue financial risk to the local initiative and will further the goals of the local initiative.*

1 14087.984. By a resolution of the governing body of
2 the local initiative adopted by a vote of two-thirds of the
3 membership of the governing body, the governing body
4 may issue bonds, provided that the outstanding amount
5 of bonds issued by the governing body after such issuance
6 shall not exceed 10 percent of the local initiative's
7 anticipated gross revenues for the issuing year, pursuant
8 to Chapter 6 (commencing with Section 54300) of Part 1
9 of Division 2 of Title 5 of the Government Code, to
10 provide funds for the acquisition, construction,
11 improvement, financing, or refinancing of any capital
12 projects of the local initiative, or to make one or more
13 loans to one or more traditional or safety net providers for
14 use for the acquisition, construction, improvement,
15 financing, or refinancing of any capital projects of the
16 providers, including, but not limited to, any or all
17 incidental expenses, or any combination of two or more
18 of those purposes.

19 14087.985. The resolution adopted pursuant to
20 Section 14087.984 shall include all of the following:

21 (a) The purpose for which the bonds are proposed to
22 be issued.

23 (b) The estimated cost of the acquisition, construction,
24 improvement, financing, refinancing, or loans.

25 (c) The principal amount of the bonds.

26 (d) The maximum rate of interest on the bonds, which
27 shall not exceed 12 percent per year for tax-exempt debt
28 or 18 percent per year for taxable debt, and the frequency
29 of interest payments.

30 (e) A statement that the bonds are to be revenue
31 bonds, payable exclusively from the revenues described
32 in the resolution, and that the bonds are not to be secured
33 by the taxing power of the state or any political
34 subdivision of the state.

35 14087.986. The resolution adopted pursuant to
36 Section 14087.984 shall be published once a week for two
37 successive weeks in a newspaper of general circulation
38 published in the geographical jurisdiction of the local
39 initiative, or if there is none, in the newspaper of general
40 circulation published in the jurisdiction nearest to the

1 *local initiative. If there is no newspaper of general*
2 *circulation published in the jurisdiction of the local*
3 *initiative, the resolution shall also be posted in three*
4 *public places in the jurisdiction for two succeeding weeks.*

5 *14087.987. The governing body of the local initiative*
6 *may sell the bonds pursuant to the resolution as follows:*

7 *(a) By giving notice inviting sealed bids and selling to*
8 *the highest responsible bidder.*

9 *(b) By private sale, pursuant to a vote approved by*
10 *two-thirds of the entire governing body.*

